REPORT OF MARKET REGULATION EXAMINATION

Guarantee Trust Life Insurance Company

NAIC Code 64211

1275 Milwaukee Ave
Glenview, IL 60025-2463

NAIC Examination Tracking System ME 025-M1

Examination Period:
June 1, 2008 through June 30, 2010

Pursuant to Title 24-A M.R.S.A. § 221, the Maine Bureau of Insurance caused a Targeted Market Conduct Examination to be conducted of Guarantee Trust Life Insurance Company. I hereby accept this Report of Examination and make it an official record of the Bureau of Insurance.

Eric A. Cioppa
Superintendent
Maine Bureau of Insurance

11/21/11
Date

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November 18, 2011

The Honorable Eric A. Cioppa
Superintendent
Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent Cioppa:

Pursuant to Title 24-A M.R.S.A. §§ 211 and 221 and in accordance with your instructions, a targeted market conduct examination ("Examination") has been made of:

Guarantee Trust Life Insurance Company

hereinafter referred to as ("the Company").

The examination reviewed the Company's complaints, claims, and producer licensing standards for the Group Limited Benefits Health Insurance line of business during the period from June 1, 2008, through June 30, 2010. The Maine Bureau of Insurance ("the Bureau") staff conducted the on-site phase of the examination at the Company's offices located at:

1275 Milwaukee Ave
Glenview, IL 60025-2463

The examination work was also performed at the offices of the Bureau. The desk examination reviewed Company Operations / Management Standards, Claims Standards, and Producer Licensing Standards as of June 30, 2010.

The following report is respectfully submitted.

EXECUTIVE SUMMARY

This summary of the Examination of the Company is intended to provide an overview of the examination results. The body of the report provides details of the scope of the examination, tests conducted, findings and, if applicable, subsequent Company actions.

The Bureau considers a substantive issue as one in which corrective action on part of the Company is deemed advisable, or one in which a "finding," or violation of Maine insurance laws was found to have occurred. The Bureau recommends that Company management evaluate any substantive issues or findings for applicability to potential occurrence in other jurisdictions.

1. Company Operations/Management Standards

The Bureau found the Company to be non-compliant in Company Operations/Management. Non-compliance was found in the following areas: the Company did not have a valid external audit program; the Company had contracts with and engaged in regulated activities with two association groups that had been disapproved by the Bureau; the Company failed to monitor the activities of Preferred Care, Inc., the Third Party Administrator ("TPA") processing claims for the Group Limited Benefits Health Insurance business; the Company failed to adhere to licensing and appointment requirements for marketing and soliciting business; the Company (through the TPA) provided records that were not adequate, accessible, consistent, orderly or complete.

2. Producer Licensing Standards

The Bureau found the Company to be non-compliant in the area of producer licensing as the Company's records of licensed and appointed producers were not in agreement with Bureau records. Not all producers were properly licensed and appointed.

3. Complaint Handling Standards

The Bureau found that the Company's complaint register did not match the Bureau's records.

4. Claims Standards

The Bureau found that the TPA's handling of the claims files resulted in the Company being largely non-compliant as to timeliness of resolution, payment of interest where due, documentation, adherence to policy provisions and statutes and proper denial of claims.

COMPANY BACKGROUND

The Company was incorporated under laws of Illinois in 1936 and its offices are located in Glenview, Illinois. The Company is a mutual life and health insurance company licensed in 49 states, the District of Columbia, and Puerto Rico. The Company markets, underwrites, and services a portfolio of life and accident and health insurance products. Primary lines are Individual Life, Agency Accident and Health, Special Risk (student Accident and College Health), Credit Life and Accident, and Health and Special Markets.

The Company has multiple business units. It has one wholly-owned subsidiary in Guarantee Security Life of Arizona, which is a reinsurer of credit business written in the state of Arizona by the Company. The Company's affiliate United National is a small supplemental health insurance writer.

SCOPE OF EXAMINATION

The purpose of this Examination was to review general business practices of the Company's Operations/Management, Producer Licensing, Complaint Handling, and Claims. Transactional testing was used to detect compliance with or deficiencies in adherence to applicable statutes. Some unacceptable or non-compliant practices may not have been discovered in the course of this examination. Failure to identify or criticize specific practices does not constitute acceptance of such practices by the Bureau.

This report is by test rather than by exception. This means that each test applied is stated, and the results are reported.

METHODOLOGY

The examination was conducted consistent with the standards in The National Association of Insurance Commissioners' ("NAIC") Market Regulation Handbook ("Handbook") and appropriate Maine statutes. The examination was conducted to determine compliance in the following areas: Company Operations/Management, Producer Licensing, Complaint Handling, and Claims.

The Audit Command Language ("ACL") audit software was utilized for this examination to attain the claims sample. The ACL software was applied to computer data files provided by the Company which contained Maine Group Limited Benefits Health claims that were opened during the period from June 1, 2008 through June 30, 2010. The random sample produces results at a 95 percent confidence level.

Prior to arriving onsite, the Bureau randomly selected 120 claim files out of a population of 3,464 (60 paid and 60 denied). The Bureau discovered that the original claims data file received from the Company pulled data from an incorrect data field. Due to the compromised integrity of the original data file, a new data file was requested prior to the examination team's onsite arrival. Per the Bureau's instructions, this second data file was accompanied by a certified written statement from the Company's Market Conduct Coordinator, attesting that the information provided was accurate and complete.

The second claims data file consisted of a population of 3,441 records. The TPA contracted to administer claims on behalf of the company, as a practice, assigns a claim number to each item of correspondence received. As such, within the master population of 3,441 records there were 101 members who had submitted claims. From this population of 101 members, 60 members were randomly selected for file review.

The examination included a review of the TPA's Procedural Manual and related materials pertaining to the review of claims in order to facilitate an accurate understanding of the Company's method of handling such claims.

FINDINGS

1. COMPANY OPERATION / MANAGEMENT STANDARDS

Standard - 1

The regulated entity has an up-to-date, valid internal or external audit program.

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 1

Transactional Testing Procedure: Examiners discussed with management and reviewed selected internal audit procedures and findings.

Findings: The examination revealed that the Company does not have a valid external audit program for monitoring the activities of the TPA with whom it contracted to process claims for the Group Limited Benefits Health Insurance line of business. It was found that the Company was unable to produce documentation to confirm that, pursuant to its own protocol, it had verified on-site the accuracy of information contained in a due diligence questionnaire that the TPA completed in 2007. At the time of the exam, the Company lacked the capability to adequately monitor the TPA's handling of claims.

Standard - 2

The regulated entity has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 2

Transactional Testing Procedure: Examiners discussed with management then reviewed and tested selected internal procedures related to computer access, security and protocols.

Findings: None.

Standard - 3

The regulated entity has antifraud initiatives in place that are reasonably calculated to detect, prosecute and prevent fraudulent insurance acts.

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 3

Transactional Testing Procedure: Examiners tested the Company's claim forms and Anti-Fraud Plan for compliance with applicable state law(s).

Findings: None

The examination revealed documentation adequate to demonstrate compliance with statutes and/or regulations.

Standard - 4

The regulated entity has a valid disaster recovery plan.

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 4

Transactional Testing Procedure: Examiners tested the Company's Management Information System Recovery Plan for compliance with applicable state rule(s) and law(s).

Findings: None

The examination revealed documentation adequate to demonstrate compliance with statutes and/or regulations.

Standard - 5

Contracts between the regulated entity and entities assuming a business function or acting on behalf of the regulated entity, such as, but not limited to, managing general agents ("MGAs"), general agents ("GAs"), TPAs and management agreements, must comply with applicable licensing requirements, statutes, rules and regulations.

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 5
24-A M.R.S.A. § 2412 Filing, approval of forms
24-A M.R.S.A. § 1413 License requirement for business entities

Transactional Testing Procedure: Examiners discussed with management then reviewed selected contracts and tested whether selected individuals assuming a business function or acting on behalf of the Company and requiring a license were, in fact, licensed.

Findings (1): The examination revealed that the Company issued Group Limited Benefits Health policies to Maine consumers through two associations that had not been properly approved by the Bureau.

Findings (2): The examination revealed that the Company entered into a Program Manager contract with Company A, effective February 8, 2008. Company A was to be responsible for the marketing, underwriting, premium billing, and administration of certain Company policies, including those sold to Maine consumers. Company A does not have a valid Maine business entity license nor a third party administrator's license.

Findings (3): With regard to the Group Limited Benefits Health Insurance plan, the examination revealed the following non-compliant findings with regard to agency appointment:

- Agency A was appointed by the Company from October 20, 2008 to November 5, 2009. Of the 84 certificates issued through Agency A, 51 were issued prior to Agency A's appointment by the Company.
- Agency B was never appointed by the company. Of the 52 certificates issued through Agency B, all 52 were issued without Agency B's appointment by the Company.

Standard - 6

The regulated entity is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the regulated entity.

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 6
24-A M.R.S.A. § 2412 Filing, approval of forms
24-A M.R.S.A. § 1413 License requirement for business entities
24-A M.R.S.A. § 1420-B License required
24-A M.R.S.A. § 1420-M Appointments

Transactional Testing Procedure: Examiners reviewed an Administrative Services Agreement between the Company and the TPA.

Findings: The examination revealed that the Company was not monitoring the activities of the TPA that had been processing claims for the Group Limited Benefits Health Insurance plan. The Company also demonstrated a lack of oversight regarding licensing and appointment requirements.

Standard - 7

Records are adequate, accessible, consistent and orderly and comply with state record retention requirements.

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 7
24-A M.R.S.A. § 2164-D. Unfair claims practices

Transactional Testing Procedure: Examiners reviewed underwriting, claims and complaint files.

Findings: The examination revealed that the records provided by the TPA, on the Company's behalf, were not adequate, complete, consistent, or orderly. The certificates provided within the files were templates, the Named Insured being "John Employee."

Standard - 9

The regulated entity cooperates on a timely basis with examiners performing the examinations.

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 9

Findings: The examiners requested that complete claims files be provided for review during the on-site examination of August 17, 2010 through August 20, 2010; however, the claims files provided to the examiners were not complete. It was discovered, after review of several claim files, that the original claims data file provided by the TPA had pulled data from an incorrect data field. An additional claims data file was requested to select an appropriate sample of claim files to review. The failure of the TPA to provide the requested material extended the length and increased the cost of the exam.

Standard - 10

The regulated entity has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions so as to minimize any improper intrusion into the privacy of applicants and policyholders

NAIC Market Regulation Handbook - Chapter XVI, Section A, Standard 10

Transactional Testing Procedure: Examiners reviewed the Company's Employee Training document related to Privacy Law.

Findings: None.

The examination revealed documentation adequate to demonstrate compliance with statutes and/or regulations.

2. PRODUCER LICENSING STANDARDS

Standard - 1

Regulated entity records of licensed and appointed producers agree with insurance department records.

NAIC Market Regulation Handbook - Chapter XVI, Section D, Standard 1

Transactional Testing Procedure: Examiners reviewed the Company's record of licensed and appointed producers against that maintained by the Bureau.

Findings: The examination revealed that the producer of record was not identified by name for 75 of the Group Limited Benefits Health Insurance Certificates that were issued by the Company. Therefore, the examiners were unable to determine whether or not the certificates were issued by a licensed and/or appointed producer.

Standard- 2

The producers are properly licensed and appointed in the jurisdiction where the application was taken.

NAIC Market Regulation Handbook - Chapter XVI, Section D, Standard 2
24-A M.R.S.A. § 1420-B License required
24-A M.R.S.A. § 1420-M Appointments

Transactional Testing Procedure: Examiners reviewed applications noting the producer of record and compared that information to the records maintained by the Bureau.

Findings: The following table outlines the Company's compliance with regard to licensing and appointment of the 34 producers of record that were identified in the sample of 136 certificates issued by the company to Maine policyholders:

Testing	Compliant	Non-Compliant	% Error
Producer was licensed at the time of sale	**8**	**26**	**76%**
Producer was appointed at the time of sale	**5**	**29**	**85%**

3. COMPLAINT HANDLING STANDARDS

Standard - 1

All complaints are recorded in the required format on the regulated entity's complaint register.

NAIC Market Regulation Handbook - Chapter XVI, Section B, Standard 1

Transactional Testing Procedure: Examiners discussed the complaint handling process with management and reviewed the Company's complaint register.

Findings: The examination revealed that the company's complaint register did not match the Bureau's complaint register.

The Bureau requested a log of all complaints for the Group Limited Benefits Health Insurance plan during the reporting period. The Company provided a copy of its complaint register which contained one complaint for the time period June 1, 2008 through June 30, 2010. The Bureau's complaint register for the same time period contained two complaints for the Group Limited Benefits Health Insurance plan.

Standard - 4

The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.

NAIC Market Regulation Handbook - Chapter XVI, Section B, Standard 4

Transactional Testing Procedure: Examiners discussed the Company's complaint handling process with management and reviewed the Company's complaint register.

Findings: None.

The examination revealed documentation adequate to demonstrate compliance with statutes and/or regulations.

4. CLAIMS STANDARDS

Standard - 3

Claims are resolved in a timely manner.

NAIC Market Regulation Handbook - Chapter XVI, Section G, Standard 3
24-A. M.R.S.A. § 2164-D. Unfair claims practices
24-A M.R.S.A. § 2436 Interest on overdue payments

Transactional Testing Procedure: Examiners discussed the Company's claims payment process with management and reviewed individual claim files in accordance with applicable state law(s).

Findings: The following table represents the Company's compliance with regard to timeliness of claims resolution:

Testing	Compliant	Non-Compliant	% Error
Claim resolved within 30 days	19	41	68%

The following table represents the Company's compliance with regard to interest payments for the 30 files on which an interest payment was required:

Testing	Compliant	Non-Compliant	% Error
Interest was paid on claims that were not paid timely	25	5	17%

Standard - 5

Claim files are adequately documented.

NAIC Market Regulation Handbook - Chapter XVI, Section G, Standard 5
24-A M.R.S.A. § 2164-D. Unfair claims practices

Transactional Testing Procedure: Examiners reviewed individual claim files.

Findings: The following table represents the Company's compliance with regard to documentation of files:

Testing	Compliant	Non-Compliant	% Error
Claim files are adequately documented	27	33	55%

To determine whether or not a claim file was adequately documented, the examiners tested whether a file contained sufficient documentation to allow an interested reader to understand the actions taken.

Standard - 6

Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.

NAIC Market Regulation Handbook - Chapter XVI, Section G, Standard 6

Transactional Testing Procedure: Examiners discussed the Company's claims handling process with management and reviewed claim files in concert with applicable policy provisions.

Findings: The following table represents the Company's compliance with regard to claims handling:

Testing	Compliant	Non-Compliant	% Error
Claims are properly handled with regard to policy provisions and applicable statutes	**10**	**50**	**83%**

To determine whether or not a claim was properly handled, the examiners tested whether or not there was a finding of non-compliance in any of the aforementioned areas (timeliness of investigation, timeliness of claim resolution, payment of interest if applicable, and adequacy of file documentation).

Standard - 9

Denied and closed without payment claims are handled in accordance with policy provisions and state law.

NAIC Market Regulation Handbook - Chapter XVI, Section G, Standard 9
24-A M.R.S.A. § 2164-D. Unfair claims practices

Transactional Testing Procedure: Examiners discussed the Company's claims denial process with management and reviewed claim files in concert with applicable policy provisions and state law(s).

Findings: The following table represents the Company's compliance with regard to its proper interpretation of policy provisions and state law when denying or closing a claim:

Testing	Compliant	Non-Compliant	% Error
Claims are properly denied or closed with regard to policy provisions and applicable statutes	**3**	**24**	**89%**

Of the 60 claims reviewed, 27 had at least some portion of the benefits denied or closed without payment. Therefore, 33 claims within the sample were not applicable to this standard.

ACKNOWLEDGMENT

The courtesy, hospitality, and cooperation extended by the officers and employees of the Company during the course of the examination are gratefully acknowledged. The examination was conducted and is respectfully submitted by the undersigned.

STATE OF MAINE

COUNTY OF KENNEBEC, SS

Allan C. Armstrong, CWCLA, MCM, Examiner in Charge, being duly sworn according to law, deposes and says that in accordance with the authority vested in him by The Honorable Eric A. Cioppa, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, he has made an examination on the condition and affairs of the

Guarantee Trust Life Insurance Company

as of June 30, 2010, and that the foregoing report of examination, subscribed to by him, is true to the best of his knowledge and belief.

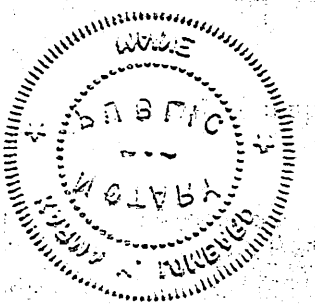
The following examiners from the Bureau of Insurance assisted:
Carolee M. Bisson, AIE, AIRC
M. Paige Turney, MCM
Mary T. Masi, MCM

Allan C. Armstrong, CWCLA, MCM

Subscribed and sworn to before me

This 18th day of November, 2011

KARMA Y. LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2016

Notary Public

My commission expires: June 12, 2016